

SEP 1 1953

OIR Contribution to: SE-51: THE SIGNIFICANCE OF THE NEW INDONESIAN GOVERNMENT

25X1A

Conclusions

1. The Ali Cabinet in Indonesia, formed on August 1st after nearly eight weeks of political maneuvering, represents a coalition of the dominant PNI (Indonesian Nationalist Party) and a number of minor Moslem, nationalist, Marxist, and Communist front parties. The new cabinet is notable in two major respects:

a. Increase in Communist influence -- Although the Indonesian Communist Party (PKI) is not represented in the Government, its votes are necessary to give the Government a majority in Parliament. Furthermore, four of the cabinet's twenty ministers are members of Communist front parties or are willing cooperators with the Communists and an additional four are opportunists or naive politicians who in the past have been used by the Communists.

b. Decline in influence of moderate parties -- For the first time in any Indonesian Government, Masjumi, the party with the most parliamentary strength and the greatest public support, is not represented. Also in the opposition are the outspokenly anti-Communist PSI (Indonesian Socialist Party) and the centrist Catholics, Christians, and Democrats.

2. The present position of the Communists reflects the success of their "united front" policy in Indonesia. The party's capabilities for subversive action were seriously weakened as a result of the arrests of Communist leaders in August 1951. Since early 1952 the PKI has followed a policy of supporting the Government in Parliament. Its moderate policies and close cooperation with the PNI eventually led to the fall of the predecessor Wilopo government.

SECRET - SECURITY INFORMATION

3. The Communists have not now, nor are they likely in the near future to gain, sufficient strength to take over the government by force. However, they are in excellent position to increase their capabilities by infiltrating some of the key sectors of the Indonesian Government, including the Ministry of Defense.

4. The Communists are unlikely to press for adoption of a radical program for fear of precipitating the fall of the government or of stimulating the use of force by the conservative opposition. The process of forming the cabinet and the ultimate composition of the cabinet have concentrated attention on Communism as a political issue and thus contributed to the crystallization of anti-Communist sentiment among the opposition parties.

5. In foreign affairs, the Government will probably adhere to an "independent" policy. In an attempt to balance present relations with the West, the government will probably open an embassy in Moscow, seek a bilateral peace treaty with Japan and seek to expand trade relations with the Soviet Bloc.

6. In domestic affairs few changes are likely to be made since the government will probably attempt to avoid controversial issues in order to prolong its existence. Under these circumstances the government probably would not last until elections can be held. It most likely would be succeeded by an executive cabinet.

7. It is possible however that the government may take strong action against the Darul Islam dissident movement or attempt to interfere with army organization and leadership. Under these circumstances, civil warfare or a rightist coup might occur.

SECRET - SECURITY INFORMATION

OIR Contribution to:

SE-51: THE SIGNIFICANCE OF THE NEW INDONESIA GOVERNMENT

A. Formation of the Ali Cabinet

1. Fall of the Wilopo Government.

Following the October 17 Affair, feelings between leaders of the major political parties and between members of the Cabinet and Parliament became increasingly exacerbated. The October 17 Affair itself, an anti-Parliamentary demonstration by elements disgruntled by legislative interference in military matters, was the direct result of the passage in Parliament on October 16, 1952, of the Sophian motion. This motion, critical of the Minister of Defense, was supported by the Nationalist Party (PNI), Indonesia's second largest party, centrist parties anxious to topple the cabinet in the hope of gaining posts in a succeeding government, and the parties of the left, including the Indonesian Communist Party (PKI). PNI members in Parliament voted for the controversial measure despite the fact that the PNI held four cabinet posts including the Prime Ministership and the important Ministry of Foreign Affairs.

Notwithstanding Parliament's criticism of the Minister of Defense, neither the Masjumi nor the Socialist members of the cabinet who backed the Minister's policies resigned and the Wilopo cabinet remained in office. The anomalous position of the PNI, whose Parliament representatives voted against policies accepted by its party members in the Cabinet, was repeated in February with the passage of a motion to reduce taxes on small business firms, and in April with the passage of a motion to open an embassy in Moscow. In each of these cases the PNI-PKI-centrist parties opposition in Parliament, while attacking primarily the Masjumi and Socialist parties, principal government opponents of the measures, also attacked the four PNI cabinet ministers.

SECRET - SECURITY INFORMATION

SECRET - SECURITY INFORMATION

- 2 -

In March 1953 Communist-inspired demonstrators opposed government efforts to clear land illegally occupied by squatters in North Sumatra after World War II. Police fired upon the demonstrators, killing a number of them. Thereupon, Kertapati, a member of the Communist-controlled Progressive faction, introduced in Parliament a motion calling on the government to cease its land distribution program. Because the Minister responsible for the program was a member of the Masjumi Party, the Kertapati motion fell into the pattern of previous similar attempts to embarrass the government. This time, however, without waiting for the motion to come to a vote, the cabinet, certain of the motion's passage, resigned on June 2.

It is not altogether clear why the Wilopo government, which had survived previous criticism of an equally pointed nature, succumbed at this particular time. Most observers had felt that the desire to proceed with Indonesia's first general elections in accordance with the election law passed by Parliament in early 1953 would continue to motivate the Wilopo cabinet, and that it would continue to find workable compromises or to postpone implementation of controversial decisions until elections could be held. Frayed tempers probably played as much a role as any other factor in causing the final resignation of the government.

2. Efforts to form a new cabinet.

The purpose of PNI parliamentarians in precipitating the fall of the Wilopo Cabinet was apparently to bring the PNI into the position of being called on to form a government without Masjumi or PSI participation. PNI control of the government both preceding and during elections would enable the party to influence the results in its favor. Without such an advantage it is likely that the

SECRET - SECURITY INFORMATION

- 3 -

PNI would emerge from elections a poor second to Masjumi.

The cabinet fell on June 2 and four attempts failed before President Sukarno accepted the list proposed by Wongsonegoro of the PIR (Greater Indonesia Association) on July 30. Initially Sukarno named as formateurs the outgoing Minister of the Interior, Mohammed Rum (Masjumi), and Mangunsarkoro of the left wing of the PNI. The Kertapati motion had been directed at Rum. Mangunsarkoro, as Education Minister during the revolution, had attempted to curtail Islamic instruction. Thus each was among the candidates least acceptable to the party of the other. After they failed to form a cabinet, as had been expected, Mukarto, outgoing PNI Foreign Minister, attempted to form a cabinet without the Masjumi. He was able to draw up a list commanding a parliamentary majority, but Sukarno, in contrast to his later acceptance of Wongsonegoro's list, refused to accept Mukarto's proposal because it would depend on Communist support. Mukarto was then given a second chance as formateur, this time with a mandate to form a "national business cabinet." Failure of the PNI and Masjumi to agree on a cabinet program, together with Masjumi insistence that either Mohammed Run or Governor Hakim of North Sumatra be given the post of Interior, caused Mukarto to return his mandate on July 6. Next choice as formateur was Burhanuddin Harahap of Masjumi. Insistence of the PNI on receiving the prime ministership and the unwillingness or inability of the Masjumi to participate in a cabinet without the PNI caused his effort to fail as well.

When Wongsonegoro of the PIR was named as the next formateur, it was generally conceded, because of the earlier failures of representatives of the major parties, that he stood little chance of success. It was conjectured that Sukarno intended by this appointment to demonstrate that the smaller parties

SECRET - SECURITY INFORMATION

- 4 -

could not form a cabinet and that only a coalition based on the PNI and the Masjumi could be successful. Wongsonegoro initially tried to form a government with both Masjumi and PNI participation, his own party being willing to forego the post of Prime Minister. When it was apparent that Masjumi could not agree to the proposed division of seats, Wongsonegoro proceeded to compile a cabinet list including the PNI, PIR and representatives of eight other factions and parties in Parliament. Along with Masjumi, the Catholics, Democrats, and Christians refused to participate; the PSI was excluded. This list was accepted by President Sukarno on July 30.

Sukarno's motives in accepting Wongsonegoro's proposed cabinet are uncertain. Some Indonesian observers have suggested that the President had no constitutional alternative when Wongsonegoro presented a list that commanded majority support in Parliament. But he showed no such compunction in refusing Mukarto's list, which could call forth a parliamentary majority in a similar manner -- with Communist support. A second theory is that Sukarno did not wish to give in to increasing demands that he or Vice President Hatta personally form a cabinet, both because he wished to avoid responsibility and because he did not wish to see Hatta exercise increased powers either as acting chief executive or as prime minister. His speech of August 17 on the occasion of the eighth anniversary of Indonesian declaration of independence, tends to bear out this theory. It is possible that Sukarno looks forward to the early failure of the Ali government in order to prove the necessity of cooperation by the major parties in any pre-election government. Again perhaps the President felt that the October 17 affair had resulted in the alignment of the Masjumi and PSI

SECRET - SECURITY INFORMATION

SECRET - SECURITY INFORMATION

- 5 -

against him, and that the present cabinet would afford him opportunities not only to retaliate but to consolidate his personal position.

Whatever Sukarno's motives, and there are too few facts available for a proper assessment, it is clear that his position on the Indonesian political scene is somewhat altered. That his acceptance of this government indicates a change in his political orientation is unlikely, particularly in view of his August 17 address. His references to foreign affairs were mild in tone, his approach to domestic affairs was constructive. He referred to good relations with the United States and praised aspects of the TCA program and of private American philanthropic efforts. But it is doubtful that the present opposition parties, notably the Masjumi, PSI, Catholics and Christians, will ever again accept the President as being above party. Rather, he will probably be regarded as actively concerned with the fortunes of the PNI.

Sukarno's relationship to Vice President Hatta undoubtedly influenced his actions with regard to the present government. Vice President Hatta was not present in Djakarta during the final stages of formation of the cabinet. It is apparent, in the light of his political views, that he was not consulted as to its acceptance. For some time a growing split has been reported between Hatta and Sukarno. Hatta's known fear of Communist infiltration of the government and his failure to associate himself with recent political maneuvers tend to support the view that there is a breach between the two leaders. It is noteworthy that Sukarno has failed to take exception to a series of public demonstrations on the part of leftist groups which, in the course of demanding action against the Darul Islam, have openly attacked Hatta.

SECRET ~ SECURITY INFORMATION

- 6 -

B. Composition and Strength of the New Government

1. Composition of the Cabinet.

The PNI is the dominant party in the cabinet. It holds the post of Prime Minister as well as the portfolios of Foreign Affairs, Economic Affairs, and Finance. Except for Prime Minister Ali, all are members of the party's left wing. Nahladatul Ulama (NU) and PSII, minor Moslem parties, hold five cabinet positions: Agrarian Affairs, Religious Affairs, Communications, Public Welfare, and the second deputy prime ministership. Together NU and PSII have only eleven votes in Parliament, but their support, obtained at the price of disproportionate number of cabinet seats, was apparently considered necessary to counter-balance the lack of participation by the major Moslem party, Masjumi. The only other party with more than one seat is the PIR. Besides Wongsonegoro, first deputy prime minister, this party, with fifteen votes in Parliament, holds the portfolios of Interior and Public Works. Minor nationalist parties hold four seats, while Marxist parties and a Marxist independent also hold four seats including the important Defense Ministry.

The most outstanding characteristic of the Ali Cabinet is the apparent leftist inclination of the ministers holding some of the most important portfolios. None are avowed members of the PKI. However, four ministers, Iwa (Defense, Progressive), Ong (Finance, PNI), Abidin (Labor, Labor), and Sadjarwo (Agriculture, Indonesian Farmers Association) are considered because of their views or their parties, to be willing cooperators with the Communists. Iwa spent 1926 in Moscow, has a long history of activity in leftist causes, has been associated with Tanmalaka, onetime leader of the Indonesian Communists, and

SECRET - SECURITY INFORMATION

- 7 -

has voted with the PKI on most issues in Parliament. Ong helped launch the World Peace Movement in Indonesia, is an associate of Communist leaders, and was detained in the government's August 1951 security sweep. Sadjarwo founded the Communist controlled Indonesian Farmers Front (BTI). Abidin recently returned from a tour of Communist China.

An additional four ministers, Sunario (Foreign Affairs, PNI), Djody (Justice, PRN), Abikusno (Communications, PSII), and Yamin (Education, Independent), can be expected to cooperate in some aspects with the Communists, either through a desire for political advancement or through naivete. Djody attended the Peking Peace Conference in 1952, and together with Sunario and Abidin recently attended a meeting of the Central Committee for the Defense of Peace, a subsidiary of the World Peace Movement.

25X6

Balanced against these cabinet members are the Prime Minister and the representatives of Nahladatul Ulama, PIR, Parindra and SKI. However, none of the more conservative members of the Cabinet, with the exception of the Prime Minister and perhaps the Minister of Economic Affairs, occupy influential ministries.

None of the cabinet ministers is outstanding as a technician or administrator. Only four of the nineteen have served in a previous post-independence cabinet.

2. Support for the Cabinet.

The parties represented in the cabinet have a total of 92 votes out of 210 active Parliament members. Votes of the opposition parties -- Masjumi, PSI,

SECRET - SECURITY INFORMATION

- 8 -

Catholic, Christian, and Democratic -- total 80. Eight out of 15 independent votes are expected to go to the government, giving the government parties 100 votes, a plurality six votes short of a majority. This gap is expected to be made up by the votes of the Communist bloc -- the PKI and SOBSI with 19 votes have already indicated support for the government while the Murba, a Communist party claiming to be nationalist and controlling 4 votes has given no clear indication of what its stand will be. Murba has always opposed the government and often opposed the PKI. The government might, with PKI, SOBSI, and Murba support, muster 123 votes as against the opposition's 87 votes. It should be emphasized, however, that party discipline is frequently broken, and that total parliamentary attendance rarely approaches the active membership of 210.

SECRET - SECURITY INFORMATION

- 9 -

TABLE I

Distribution of Cabinet Posts and Seats in Parliament

	Strength of Government Parties		Parliamentary Strength of Communists not in Government	Parliamentary Strength of Moderate Opposition
	Posts in Cabinet	Seats in Parlia- ment		
<u>Nationalist Parties</u>				
PNI	4	37	--	--
PIR	3	15	--	--
PRN	1	7	--	--
Parindra	1	4	--	--
SKI	1	3	--	--
Democrat	--	--	--	13
<u>Religious Parties</u>				
NU	3	7	--	--
PSII	2	4	--	--
Masjumi	--	--	--	39
Christian	--	--	--	5
Catholic	--	--	--	8
<u>Marxist Parties</u>				
Progressive	1	7	--	--
BTI	1	3	--	--
Labor	1	5	--	--
PKI	--	--	16	--
SOBSI	--	--	3	--
Murba	--	--	4	--
PSI	--	--	--	15
<u>Independents</u>				
	1	8	--	7
	19 *	100	23	87

* One post, Minister of Information, remains unfilled.

SECRET - SECURITY INFORMATION

- 10 -

Both the PNI and PIR have traditionally represented large numbers of civil servants, especially at the higher levels, and it may be expected that considerable support for the cabinet's program may be found in this sector. On the other hand, within many of the ministries, members of the PSI, in particular, have occupied key positions as technicians and secretaries-general. It is probable that the new government will find it expedient to retain these experienced individuals and they, together with some of the more conservative members of some of the government parties, may prove to be something of a tempering influence should the government attempt too radical a program.

Those groups in the armed forces which opposed the October 17 coup attempt can be relied on to support the new government. These include the first division in East Java under Col. Sudirman and the seventh division in Celebes under Lt. Col. Warrouw. The attitude of other units is less clear. The West Java division under Col. Kawilarang, the North Sumatra division under Col. Simbolon and the bulk of the air force are believed to support the objectives of the October 17 group and are probably antipathetic to the Ali cabinet. The political leanings, if any, of the other army divisions and of the navy are not sufficiently known to account for any future stand they might take. Although there is some indication of rivalry for the leadership of the mobile brigade, it is likely that this police unit would side with the October 17 group.

There is likely to be no wide public awareness of the character of the present government, since the bulk of Indonesia's population is politically inert. Comment in the small elite circles, as reflected in the press, has followed expected lines, with newspapers favorable to the government hailing the nationalist character of the cabinet and the opposition newspapers warning

SECRET - SECURITY INFORMATION

SECRET - SECURITY INFORMATION

- 11 -

of the dangers of PNI-PKI collusion. Only if the Masjumi were to deviate from its role of loyal opposition and, through religious leaders, agitate against the government would there be any widespread anti-government sentiment. It is perhaps noteworthy that the Ministry of Information, controlled by the PNI, is attempting to allay domestic as well as foreign fears by reassuring articles attempting to portray the government as conservative in character.

3. Communist capabilities.

As indicated in Table I, the Communist faction is in a position to determine the fate of the Ali Cabinet, since without the Communist votes, the government has a plurality but not a majority. The Communists, in a continuation of their "united front" policy, are likely to support the government, not only as a means of influencing government policy but in order to preserve the opportunity to infiltrate government offices.

An initial success for Communist tactics is apparent in that point of the government's program that promises to improve internal security. Although a praiseworthy objective in itself, the reason for its adoption appears to lie in the intention of the PKI -- aided by the PNI -- to associate the Masjumi in the public eye with the Darul Islam dissidents. This has been facilitated, despite the Masjumi statement that Darul Islam adherents must be regarded as outlaws, by the Masjumi viewpoint that force alone is not sufficient to solve the problem posed by Darul Islam. During the period of the cabinet formation, Communist front groups in various centers of Java demonstrated, and on at least two instances called at Sukarno's palace, to demand an all-out attack on Darul Islam. Not only does the first point of the government program

SECRET - SECURITY INFORMATION

SECRET - SECURITY INFORMATION

- 12 -

promise such an attack, but Sukarno in his independence day speech before Parliament declared that the people were no longer apathetic toward the security problem, citing as proof the public demonstrations asking the government to take action. Thus, the sequence of events leading to the government's adoption of an anti-dissident policy makes it appear that the Communists have achieved a considerable voice in government policy.

Furthermore, a cryptic reference in the new cabinet program to the need to "make it possible for the forces of the people to be mobilized" suggests that Minister of Defense Iwa might be induced to arm PERBEPSI, a veteran's organization under Communist control which has demanded official recognition as an organized "homeguard" to be used against the Darul Islam.

The greatest danger threatened by the PKI at this time probably is the infiltration of Communist sympathizers into government offices. The affinity of some cabinet ministers for Communist views makes this a distinct possibility.

Posts as secretaries general of the various ministries and key positions in the ministries of defense, justice, interior, communications, labor, information and education in particular could be valuable to the PKI.

For the time being the Communists are likely to press only for the adoption of measures that have a considerable degree of support in all political circles. A Communist attempt to gain the adoption of a radical program would probably meet with the opposition of the moderate members of the Cabinet, including Prime Minister Ali, and either precipitate the fall of the Cabinet or stimulate the use of force by the conservative opposition.

The Communists have not now, nor are they likely in the near future to gain, sufficient strength to take over the government by force. They lack the armed

SECRET - SECURITY INFORMATION

- 13 -

strength necessary to overcome those elements in the armed forces and among armed dissident bands that would be certain to oppose such an attempt. Nor does Indonesia's geographic position permit the exercise of Communist military pressure on her borders -- a decisive factor in the overthrow of Eastern European governments. The Communists are known to control several small armed bands. These are of relatively minor importance, however, and are confined to mountain areas of Java where they are engaged not only by units of the army and mobile brigade, but also by Darul Islam. The Communists are also assumed to have infiltrated, to some extent, other dissident groups and some units of the armed forces. For the present, the Communists' chief asset for disruptive activity is SOBSI, the country's dominant labor federation. Through sabotage and strikes, SOBSI could go far toward paralyzing Indonesia's economic life and cutting off much needed sources of foreign exchange. But SOBSI could not, unaided, seize national political power.

For the time being the Communists will probably concentrate their efforts on increased infiltration of the government apparatus and on the exercise of indirect influence on the determination of government policy. On a local level, the Communists will doubtless continue to strengthen their positions in various front organizations and will attempt to form joint political organizations with other parties.

-14-

C. Program of the Ali Government

In general, the program of the new cabinet as announced after a meeting on August 12 differs only slightly from the programs of preceding governments. Like its predecessors, the Ali cabinet stresses security, the importance of holding general elections, welfare of the common people, a labor policy designed for the maximum benefit of labor, a campaign against corruption, an independent foreign policy, acquisition of Western New Guinea (West Iriam), revision of the relationship between Indonesia and the Netherlands, etc. Differences are found in the degree of emphasis and in the final portion of the government program which states that policy disputes that cannot be settled in the Cabinet will be submitted to Parliament for solution. The last point has particular reference to a number of Parliamentary decisions that were not implemented by the previous Cabinet. If carried out to the letter, this provision could make Parliament the effective executive as well as legislative organ of government.

It should be noted that Parliamentary approval of the Cabinet's program is not expected before November so that any conclusions regarding the expected behaviour of individual ministries and the Cabinet as a whole are extremely tentative.

1. Internal Affairs

a. Security. The problem of domestic security was given first place in the government program and has received added emphasis in speeches of the President and statements of the Cabinet formateur, Wongsonegoro. The latter indicated that as First Deputy Prime Minister he will assume special responsibilities for security and that action against dissident groups will be more drastic than that taken by previous governments. Sukarno in his independence

SECRET - SECURITY INFORMATION

-15-

day speech declared that action against armed bands would be particularly directed at those that have political designs in mind. As examples, he singled out Darul Islam and Bambu Runtjing. Inasmuch as the latter is a Communist band, the President's statement would seem to indicate that the Communists, who have been loudest in advocating action against Darul Islam, will not escape unscathed. If this is the case, the PKI may be forced to pursue its "united front" policy at some sacrifice to its capabilities for dissidence.

Government suppression of the depredations that have harrassed much of the Javanese countryside could aid in uniting the country and strengthening its economy. But it is likely that the government parties, particularly the PNI, will attempt to use the internal security issue largely as a means of discrediting the Masjumi party, many of whose leaders are known to favor negotiation as a means of dealing with Darul Islam. The fact that five cabinet members are representative of Moslem parties may be an obstacle to the government in its campaign against Darul Islam, and it is possible that the representatives of NU and/or PSII might withdraw from the cabinet in disagreement over methods of combatting the dissident Moslem movement. In Celebes, where Kahar Muzakar leads an armed group closely allied to Darul Islam, an additional problem is posed by the friendship that exists between Muzakar and Warrouw, the army commander.

b. Elections. The government program calls for immediately holding general elections for Parliament and a constituent assembly as required by the election law passed by the last session of Parliament. In view of the fact that many of the factions represented in the cabinet stand to lose seats in Parliament in the event of elections, certain of the ministers responsible

SECRET - SECURITY INFORMATION

-16-

for administrative preparation for the elections may procrastinate in the performance of their duties. On the other hand, most Indonesian politicians at least publicly acknowledge that elections will have to be held in order to form a government with a mandate to take decisive action on numerous basic problems that hitherto have remained "on ice". In his independence day speech, President Sukarno lent his weight in favor of early elections and called on all levels of the government and populace to cooperate toward this end. It is doubtful, however, that elections will take place within the next year.

c. Agrarian policies. It is one of the incongruities of Indonesian politics that the agrarian policy pursued by Rum as Minister of Interior in the Wilopo cabinet, which was the immediate cause of the cabinet's fall, was instituted originally by Iskaq (PNI), the new Minister of Economic Affairs, when he was Minister of Interior in the Sukiman government. The Ali cabinet program in respect to agrarian policy simply states that its policy will be "to restate agrarian legislation in accordance with the interests of farmers and city dwellers". It is unlikely that the new government, including as it does severe critics of the North Sumatra land distribution scheme, will take any steps to pursue this program further, particularly as it applies to restoration of foreign-owned estate land to its rightful proprietors.¹ Apart from the North Sumatra land issue, which has become a political football, much of the government's program for land development and transmigration is in the hands of technical experts and will probably continue despite the change in administration.

1. The North Sumatra plan, partially implemented, involved the return of certain unused or fallow lands to the government by the estates, while the government would remove squatters from estate lands illegally occupied, resettle them in newly developed areas, and restore squatter lands to the estates.

-17-

d. Nationalization of foreign enterprise. The cabinet program makes no mention of nationalization. It is unlikely that any rash program of nationalization will be undertaken in the near future for fear that such a program would risk loss of Indonesia's much needed foreign exchange. The North Sumatran oil fields owned by a subsidiary of Royal Dutch Shell (BPM) and occupied by squatters since the end of the war are a possible exception. The PNI has taken a strong stand in favor of nationalizing these properties, but has previously been prevented from carrying out its plan by the Masjumi which favored restoration of the properties to the prewar operators. Cabinet members represented by PIR, NU, PRN and SKI are expected to oppose nationalization of the BPM properties so that an 11 (for) to 8 (against) split may occur on this issue within the cabinet. Because of this probable opposition within the cabinet, the question will probably be kept in the background for as long as possible.

e. Labor. The system of labor arbitration now in effect was instituted after a wave of severe strikes in early 1951 threatened to paralyze much of the Indonesian economy. Many of the more extreme demands of labor have since been denied and many strikes have been prevented or cut short. The new cabinet has indicated that labor legislation will be revised in favor of labor. The known sympathy of the new Minister of Labor for SOBSI probably means that a period of labor unrest is in prospect if future union demands are not satisfied.

f. Finance. The new Minister of Finance has given no indication that he will pursue the rigorous policies of his predecessor designed to curtail expenditures of foreign exchange in an attempt to minimize the prospective deficit in the balance of payments. In this respect the cabinet

SECRET - SECURITY INFORMATION

-18-

program simply states that a policy "more advantageous to the masses" will be followed. Other statements have indicated that further privileges for Indonesian businessmen and further credit facilities will be made available. Depending on the length of office of the Ali cabinet, a real financial crisis is a possibility. One bright hope is the reported retention of Sumitro, able former Minister of Finance, in an advisory capacity, an indication that discretion may temper the pursuit of radically different financial and economic policies.

g. The Armed Forces. In respect to the controversial questions of armed forces organization raised in the course of the October 17 Affair, the cabinet program safely declares that it will "harmonize relations between the organs of state power." In effect, this probably means that there is little chance that any effort will be made to carry out the reorganization program advocated by the armed forces leadership and designed to modernize the army organization. The parties represented in the cabinet are for the most part those that passed the Sophian motion calling for changes in the Ministry of Defense and the armed forces leadership and critical of those who advocated army reorganization and a reduction in the number of troops. Of the principal figures at whom that motion was directed, Col. Simatupang, chief of staff of the armed forces, remains. It is reported that the appointment of Tobing, also a prominent Batak, to a cabinet post may presage the removal of Simatupang from his position. There is also fear that the new Minister of Defense may be induced to permit the infiltration of the ministry and the armed forces with Communists or Communist sympathizers. A severe limitation on such infiltration is inherent, however, in the presence of strongly anti-Communist commanders in

SECRET - SECURITY INFORMATION

-19-

a number of key positions. If the new cabinet is to avoid a second attempt at a coup, which might this time result in bloodshed, it may very likely be forced to pursue the harmonious policy it now professes.

Having supported the withdrawal of the Netherlands Military Mission, the Ali cabinet, as did its predecessor, must contend with the problem of arranging a satisfactory substitute. Foreign Minister Sunarjo has already stated that he would consult with the Defense Ministry toward this end. No longer in a position to criticize government policy, left-wing PNI and other cabinet members may now find it expedient to seek some substitute to provide much needed technical military training. The negotiated withdrawal of the Netherlands Military Mission was prompted by the Indonesian fear that Netherlands forces were encouraging or supplying dissident activity.

2. External Affairs

As have previous governments, the Ali cabinet stresses the "independent" nature of Indonesia's foreign policy. In the past this has meant abstinence in principle, except in a mediating role, on all issues involved in the East-West struggle. In the case of the new government it is likely to mean that additional steps will be taken toward at least nominally closer relations with the Soviet bloc in an effort to counterbalance existing ties with the West. Indonesia can be expected to continue close cooperation with the Arab-Asian bloc and to take a strong stand on colonial questions.

a. US aid. The cabinet program as announced after its first meeting makes no specific reference to U.S. aid. Both the program of Wongsonegoro when he was cabinet formateur and an interview with Sunarjo, the new Foreign Minister, indicate that the agreement to receive TCA aid will be continued, though Sunarjo

-20-

declared it was necessary to investigate to what extent TCA was advantageous to Indonesia. As chairman of Parliament's Foreign Affairs section, Sunarjo advocated discussion there of TCA aid; the new chairman has indicated such discussion may take place. Thus far, however, United States relations with Indonesia have not been a political target in the recent maneuvering among Indonesian politicians, and US aid has been accepted on terms completely agreeable to the Indonesian government. In his speech before Parliament on August 16 President Sukarno acknowledged directly the benefits of TCA aid in the fields of health and technical education, and endorsed numerous projects involving cooperatives, small industry, mechanized agriculture, etc., to which TCA has contributed. The President also mentioned aid from private American philanthropic foundations. The value of technical assistance received through the US, UN, Colombo Plan and other foreign sources is being recognized by an increasing number of Indonesian officials, and it appears unlikely that the new government will give up these benefits if it is politically possible to consider such aid as compatible with Indonesia's independent foreign policy. It might even be argued that with many of the most outspoken critics of US aid now represented in the government, opposition to TCA and other forms of US economic assistance will be less vocal.

b. Ratification of the Japanese Peace Treaty. Without first negotiating a supplementary agreement with Japan concerning reparations, neither the Sukiman nor Wilopo cabinet would risk an attempt to secure ratification of the San Francisco Treaty. Official and unofficial negotiations between the Japanese and the Indonesians both in Tokyo and Djakarta have failed to bring the two governments much closer together on this issue. The new Foreign Minister

SECRET - SECURITY INFORMATION

-21-

has stated that he favors a bilateral treaty with Japan to supplant the existing treaty, so that it is most improbable that Parliament will be asked to ratify the San Francisco Treaty.

c. Netherlands-Indonesian Union. The platforms of previous governments have called for revision of the existing Round Table Conference agreements defining the relationship between the Netherlands and Indonesia. One concrete step toward this end taken by the Wilopo government was to negotiate for the withdrawal of the Netherlands Military Mission. The program of the Ali cabinet advocates renegotiation of the Round Table Conference Agreements in the form of normal international treaties. Since the Netherlands government has in the past agreed to this procedure, providing discussions were not tied to the disposition of Western New Guinea, this aim of the government probably will be achieved.

Both the Foreign Minister and the President have placed references to Western New Guinea in a subordinate position in their statements on foreign policy. Foreign Minister Sunarjo stated that he would make use of all ways and means peacefully to include West Irian in Indonesia's territory, but gave no indication that this was a matter of high priority, and Sukarno concluded his independence day speech before Parliament with an unusually mild reference to West Irian.

d. Relations with the Soviet Bloc. One of the controversial issues leading to the fall of the Wilopo government was the cabinet's refusal to implement a motion passed by Parliament calling for the opening of an Indonesian mission in Moscow by the end of 1953. The new cabinet is pledged to carry out this motion, despite the opposition of some of the parties

SECRET - SECURITY INFORMATION

-22-

represented therein. Actually, all Indonesian parties have agreed to the advisability of opening an embassy in Moscow in due time so as to have direct reporting from the USSR. Those parties now in the opposition either voted against the motion or abstained, feeling that greater consideration should be given to the timing of this move and to the dangers inherent in the probable extra-curricular activities of a Soviet mission in Indonesia.

The Ali cabinet has indicated that like previous Indonesian governments it will support the admission of Communist China in the UN. Under the Wilopo government, the then Minister of Information, Arnold Mononutu, had been designated as Ambassador to Pei-p'ing and it is possible that he will shortly be sent to take up his duties.

e. Economic. Ever since the collapse of the Korean war boom in commodity prices, pressures have been building in Indonesia for the removal of the UN ban on shipments of strategic materials to Communist China and for the strengthening of trade ties with the Soviet bloc. To date increased shipments of rubber to Poland have constituted the only concrete action directed toward this end. In 1952 exports to the Soviet bloc amounted to only one percent of Indonesian exports by value. Qualified Indonesians recognize that the benefits of Soviet bloc trade are apt to be limited, that most of Communist China's rubber needs are now satisfied by Ceylon, and that there is little market in any quarter for Indonesia's surplus low grade rubber. Nevertheless, it is probable that Indonesia will favor the removal of the ban on strategic materials shipment to Communist China in view of the Korean truce. Should the ban remain in effect, Indonesia may request removal of rubber from its list of strategic materials. If at all possible in the light of domestic

SECRET - SECURITY INFORMATION

-23-

political considerations, Indonesia will, however, adhere to its UN obligations which it values highly. The inability of the Communist states to supply Indonesia's needs or absorb her raw materials will probably continue to necessitate maintenance of Indonesia's traditional basic trade ties with the West.

f. Foreign Investment. As Ambassador to the United States, Prime Minister Ali often outlined the need for foreign private capital investment in Indonesia. Whatever his personal views, however, it is doubtful whether the new Ministers of Finance and Economic Affairs, or the cabinet as a whole, will adopt policies conducive to new foreign investment.

There is little chance that the policy statement on foreign investment formulated but never issued by the Wilopo Cabinet will now be forthcoming. This statement, depending on interpretation of specific clauses, might have attracted some foreign investors. On the contrary, foreign firms now operating in Indonesia are likely to experience increased difficulty regarding repatriation of capital, taxation, and the retention of foreign technicians. Furthermore, the pro-labor policies of the new Labor Minister are likely to be detrimental to the interests of foreign owned enterprise. That some level of foreign investment will be encouraged, however, is indicated in a statement of the new Finance Minister that government plans to place increased emphasis on national capital do not mean that the government is opposed to foreign capital investment.

SECRET - SECURITY INFORMATION

-24-

D. Trends in Present Political Situation

The method of formation and the composition of the present cabinet do not indicate the presence of any clearly definable trend in Indonesian politics. Three factors do stand out, however, as significant concomitants of the recent cabinet formation.

1. Lack of Masjumi participation. This is the first cabinet since independence in which the Masjumi, Indonesia's most powerful political group, has refused participation and to which it has announced its opposition. Lack of Masjumi participation is in itself an indication of the government's serious political and technical weakness.

2. Apparent Success of Communist "United Front" Tactics. Following the security arrests directed against the Communists in August 1951 by the Masjumi-dominated Sukiman Cabinet, the PKI has pursued the policy of the "national unity front." Beginning with the Wilopo Cabinet in April 1952, the PKI gave its ostensible support to the government, thereby marking a radical departure from its previous policy of uncompromising opposition to non-communist cabinets. In its pursuit of a "national front" the PKI took the leadership in the celebration of national holidays, erased "socialism" and "people's democracy" from the constitution of its closely controlled labor federation, SOBSI, and avoided the direct introduction of legislation or resolutions unfavorable to the government. Most important, its cooperative attitude brought it into the position of active collaboration with the PNI. The formation of the present government, even though the PKI is not represented, reflects the success of the Communists' "united front" policy in Indonesia. Some of the ministers will probably be amenable to Communist influence, those politicians most inclined to anti-Communism have been excluded from government, and the Communist bloc in Parliament holds the balance of power.

-25-

3. Possible Crystallization of Anti-Communist Sentiment. The Ali cabinet symbolizes the almost irreconcilable hostility between the PNI and the Masjumi as those parties are now constituted. The issue now, as far as the Masjumi is concerned, is communism.

Masjumi's factions appear to have been united by opposition to the present cabinet. On August 20, some 15,000 Moslems are reported to have attended a meeting in Djakarta -- at which Vice-President Hatta was present -- called to form a united Islamic front against "irreligious ideologies." Masjumi headquarters has announced the despatch of Moslem leaders to the villages to explain the present political situation. Hizbullah, militant Islamic youth organization which fought during the revolution, has reportedly been revived.

The PSI has for some time been anti-Communist in orientation, while the Christian and Catholic parties, previously non-Communist, may well follow the Masjumi lead and take a strong anti-Communist position.

-26-

E. Prospects for the Future

Much of the government program is of such a nature that it will receive wide support even among the opposition parties. In this respect it does not differ basically from programs of previous governments.

One of the leading members of Masjumi Executive Council has pointed out those portions of the cabinet program with which his party differs. These are: the failure to advocate a policy of actively encouraging needed foreign investment, failure to adopt austerity measures designed to increase the value of Indonesia's currency, plans to attack Darul Islam without a previous attempt at negotiation, and the proposal to submit matters of cabinet indecision to Parliament. Except for the possible appeal of the Darul Islam issue in the Masjumi and perhaps the government Moslem parties, NU and PSII, it would be difficult to gain any popular or parliamentary support for any of these points of difference.

A rapid implementation of the cabinet's program would be likely to result in the cabinet's fall, particularly on the issue of Darul Islam. If the government were to move against Darul Islam without the cooperation of Masjumi and the other Moslem parties, the five NU and PSII ministers in the cabinet would be likely to withdraw, leaving the government with a very slender margin in Parliament. Beyond this, Masjumi might rally considerable popular opposition. Under these circumstances those units of the armed forces sympathetic to the opposition parties might defect.

A coup on the part of rightist elements might be attempted if the government or Parliament should attempt further interference with what army leaders regard as purely military matters. On the basis of present knowledge, it is impossible to predict the eventual outcome of such a venture.

-27-

It is more likely, however, that this government, as its predecessors, will attempt to avoid controversial issues. The government's awareness of its precarious majority may encourage it to moderation. Individual ministers, like certain of their predecessors, are likely to behave with considerably more caution and discretion when faced with immediate responsibility than they did as members of a turbulent opposition. Certainly Prime Minister Ali and the PNI will want to retain control of government through the holding of elections, admittedly more than a year away. Even under these circumstances, however, there is no guarantee that the government parties will be able to preserve discipline. PSII members in the cabinet are already reported to have lost control of PSII Parliamentary representatives.

Should the cabinet attempt to stay in office by refusing to act on controversial matters and by adhering to the domestic policies of predecessor governments, the chief danger to the Indonesian state will lie in the infiltration of Communists and Communist sympathizers into influential positions.

Whether the Ali cabinet pursues a radical program or follows a more moderate course, certain repercussions of the cabinet's formation are inevitable. The split between Indonesia's two largest parties has been widened almost beyond repair, and it is doubtful if the parties could cooperate in other than a "business" or executive cabinet, short of the passage of a considerable period of time. For that reason, any successor cabinet is likely to be a "business" or non-party coalition.

There are within the Ali cabinet weaknesses which point to a shorter-than-average life. But because of the possibility that the cabinet will successfully avoid decision, it may last longer than six months but will probably fail to last until elections can be held. Either the Ali cabinet or its successor must

-28-

carry out the provisions of the election bill if a constructive government program is to be pursued and harmony restored to the Indonesian political scene. At best, the Ali government can serve as a stopgap government until elections are held or be succeeded by a "business" cabinet; at worst economic crisis and bloodshed are in prospect.

SECRET - SECURITY INFORMATION